

Assembly Bill No. 2330

Passed the Assembly May 30, 2006

Chief Clerk of the Assembly

Passed the Senate August 21, 2006

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2006, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act relating to small business, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2330, Arambula. Small businesses: Office of Small Business Advocate.

Existing law provides for the Office of Small Business Advocate. The duties of the Office of Small Business Advocate include counseling small businesses regarding the relationship of small business to state government, as well as acting as an advocate on behalf of small businesses. Among other duties, the Office of Small Business Advocate is also required to consult with experts and authorities in the field of small business and is required to issue reports to the Governor and the Legislature.

This bill would require the Office of Small Business Advocate to commission a study of the costs of state regulations on small businesses that is parallel to the study on the impact of regulatory costs on small firms conducted by the federal Small Business Administration, and that would examine successful models from other states on identifying regulatory costs and developing potential alternative approaches. The office would also be required to make recommendations in this regard as well as to convene a small business advisory committee to provide advice on the study. The office would be required to submit the completed study, including the recommendations, to specified state entities no later than October 1, 2007.

This bill would appropriate \$85,000 from the General Fund to the Office of Small Business Advocate for the 2006–07 fiscal year, and would permit the Office of Small Business Advocate to carry forward any unused funds into the 2007–08 fiscal year, for purposes of this study.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. The Legislature hereby finds and declares:

(a) Small business remains the backbone of the state's economy. Regulatory burdens and costs continue to be one of the major complaints of small businesses.

(b) The federal Small Business Administration began analyzing the cost and burdens of federal regulations on small businesses in 1995. The most recent update issued September 19, 2005, found that "small businesses continue to bear a disproportionate share of the federal regulatory burden." The report found that the annual cost of federal regulations in the United States totaled \$1.1 trillion in 2004. It also found the costs of federal regulations on firms with fewer than 20 employees is \$7,647. For small manufacturers this figure is at least double the compliance cost for medium-sized and large firms.

(c) There is no similar analysis done on state regulatory costs. Understanding the cost impact of state regulations would help policymakers reduce or design more cost-effective regulatory approaches that achieve desired policy objectives while placing the least burden on the regulated industry.

SEC. 2. The Office of Small Business Advocate shall do all of the following:

(a) Commission a study of the costs of state regulations on small businesses, which shall, among other things, do all of the following:

(1) Parallel, to the extent feasible and practical, the scope and study on the impact of regulatory costs on small firms conducted by the federal Small Business Administration.

(2) Examine successful models from other states on identifying regulatory costs and developing potential alternative approaches that meet the same regulatory objectives, but are less burdensome on small businesses.

(3) Make recommendations on how California's regulatory process can more effectively assess a regulation's impact on small businesses, including its cumulative impact, and methods for developing policy-appropriate alternatives.

(4) Avoid recommendations that could diminish wage and hour, social insurance, or health and safety protections for California workers.

(b) Convene a small business advisory committee to provide advice on the study required pursuant to subdivision (a). The committee shall include, but not be limited to, representatives

from small business associations representing a cross section of the small business community.

(c) No later than October 1, 2007, submit the completed study required pursuant to subdivision (a), including recommendations, to the Department of Finance, the Speaker of the Assembly, the Senate President pro Tempore, and chairs of the Assembly Committee on Jobs, Economic Development, and the Economy and the Senate Committee on Government Modernization, Efficiency and Accountability.

(d) The sum of eighty-five thousand dollars (\$85,000) is hereby appropriated from the General Fund to the Office of Small Business Advocate for the 2006–07 fiscal year to be used for purposes of this act. The Office of Small Business Advocate may carry forward any unused funds into the 2007–08 fiscal year for the purposes of this act.

Approved _____, 2006

Governor